GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2107
ANSWERED ON:30.11.2007
INCREASE IN CRR BY RBI
Mondal Shri Abu Ayes

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India increased Cash Reserve Ratio (CRR) by 50 basis points to suck out large amount of money from the system;

(b) if so, the details thereof;

(c) whether this has affected short term and long term interests rates; and

(d) if so, the details thereof?

Answer

THE MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) On a review of the current liquidity situation and the prevailing macro-economic and monetary conditions, in its Mid-Term Review of Annual Policy for the year 2007-08, RBI has increased the Cash Reserve Ratio (CRR) by 50 basis points from 7.00% to 7.50% of the Net Demand and Time Liabilities (NDTL) of the banks w.e.f. the fortnight beginning 10th November, 2007.

(c) & (d) : The CRR does not have linear impact on the rates of interest, which are also affected by other factors like Bank Rate, Repo Rate, cost of funds, operating expenses, transaction cost, risk, etc. The interest rates are determined by the banks themselves with the approval of their Board of Directors after taking into consideration the above factors.